

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01

FSE-00 ABF-01 RSR-01 /167 W
----- 075521

R 161907 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9769

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS SECTION 01 OF 02 LONDON 03189

DEPARTMENT PASS TREASURY, COMMERCE, FRB.

E. O. 11652: N/A

TAGS: ECON. UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING MARCH 16

BEGIN SUMMARY: OFFICIAL EXCHANGE MARKETS REMAINED
CLOSED ALL WEEK BUT THE POUND DRIFTED DOWNWARD TO CLOSE
AT \$2.4645 ON THURSDAY. GOLD MOVED BETWEEN \$82.75 AND
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\$80.50. THE BANK OF ENGLAND IN ITS QUARTERLY BULLETIN FORECASTS A SLOWER GROWTH OF THE U. K. MONEY SUPPLY AND A CONTINUING SLOW- DOWN IN THE RATE OF INCREASES OF PRICES AND WAGES. FIGURES RELEASED BY THE LONDON CLEARING BANKS SHOW A STRONG RISE IN BORROWING BY MANUFACTURING COMPANIES, TOGETHER WITH A MARKED SLACKENING IN THE GROWTH OF LENDING TO PERSONAL CUSTOMERS. THE COST OF INDUSTRY' S RAW MATERIALS CONTINUE TO RISE AT A RAPID RATE. THE U. K. RECORDED A VISIBLE TRADE DEFICIT OF 77 MILLION POUNDS IN FEBRUARY. SIR LESLIE O' BRIEN HAS BEEN MADE A LIFE PEER AND HAS BEEN GIVEN THE TITLE OF BARON O' BRIEN OF LOTHBURY IN THE CITY OF WESTMINSTER. THE MINIMUM LENDING RATE REMAINED AT 8-3/4 PER CENT. END SUMMARY

1. THE BANK OF ENGLAND IN ITS QUARTERLY REPORT CONGRATULATES THE GOVERNMENT FOR " LARGELY" SUCCEEDING IN HOLDING DOWN PRICES AND INCOMES DURING PHASE I OF THE ANTI- INFLATIONARY PROGRAMME, BUT NOTES THAT " PRICE RISES OF FOOD AND IMPORTS WORKED AGAINST TOTAL SUCCESS" AND " THE EFFECT OF THE HIGHER IMPORT PRICES MAY NOT YET HAVE FULLY WORKED THROUGH TO RETAIL PRICES". ON THE MONEY SUPPLY, THE BANK CONFINES ITSELF TO SAYING THAT: " THE STRONG RISE IN INTEREST RATES SHOULD HELP TO REDUCE THE DEMAND FOR MONEY, AND SO INDUCE A SOMEWHAT SLOWER RISE IN THE MONEY STOCK."

2. OVER THE FIVE- WEEK PERIOD TO FEBRUARY 21, THE LONDON CLEARING BANKS REPORTED A VERY LARGE INCREASE OF 689 MILLION POUNDS TO 10.7 BILLION POUNDS IN THEIR STERLING ADVANCES TO U. K. RESIDENTS. THESE FIGURES SUGGEST THAT THE LONG- AWAITED RECOVERY OF INDUSTRIAL BORROWING, TENTATIVELY INDICATED IN THE PAST TWO OR THREE MONTHS, HAS STARTED TO MAKE A SUBSTANTIAL IMPACT. WITHIN THE TOTAL OF BORROWING, MOREOVER, PERSONAL BORROWING ROSE BY LESS THAN AT ANY TIME SINCE DECEMBER 1971. AT THE SAME TIME, THERE WAS A SIZEABLE UNDERLYING INCREASE IN BORROWING BY THE MANUFACTURING SECTOR.

3. STRONG UPWARD PRESSURES CONTINUED IN FEBRUARY
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ON INDUSTRY' S RAW MATERIALS COSTS WHICH HAVE NOW GONE

UP 21 PER CENT SINCE FEBRUARY 1972. FIGURES ON WHOLE-SALE PRICES INDICATE THAT IN THE THREE MONTHS AFTER THE FREEZE WAS INTRODUCED IN EARLY NOVEMBER AVERAGE PRICES OF GOODS MANUFACTURED IN THE U. K. FOR THE DOMESTIC MARKET WENT UP AT AN ANNUAL RATE OF 4-1/2 PER CENT.

4. BRITAIN HAD A VISIBLE TRADE DEFICIT OF 77 MILLION POUNDS IN FEBRUARY, AS IMPORTS REACHED 977 MILLION POUNDS, THE HIGHEST MONTHLY LEVEL EVER. EXPORTS ALSO REACHED A NEW HIGH AT 900 MILLION POUNDS. THE BALANCE ON INVISIBLES WAS 56 MILLION POUNDS, THEREFORE, GIVING A CURRENT ACCOUNT DEFICIT OF 21 MILLION POUNDS.

5. THE DISCOUNT ON STERLING FLUCTUATED DURING THE WEEK WITH THE ONE- MONTH REACHING 0.92-1/2 CENTS ON MONDAY (MARCH 12), THE 3- MONTH REACHING 2.59-1/2 CENTS ON WEDNESDAY (MARCH 14) AND THE 6- MONTH REACHING 4.95-1/2

ANNENBERG

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INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01

FSE-00 ABF-01 RSR-01 /167 W

----- 075524

R 161907 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9770

INFO AMEMBASSY BERN

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USMISSION EC BRUSSELS

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ON TUESDAY (MARCH 13).

	3/8	3/15	CHANGE
1 MONTH	0.80	0.77	DOWN 0.03
3 MONTHS	2.30	2.40	UP 0.10
6 MONTHS	4.35	4.44-1/2	UP 0.09-1/2

(ALL FIGURES IN CENTS)

6. LOCAL AUTHORITY DEPOSIT RATES WIDENED AT THE
BEGINNING OF THE WEEK AND THEN NARROWED.

	3/8	3/15	CHANGE
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1 MONTH	11-7/8	10-11/16	DOWN 1-3/16
3 MONTHS	11-3/8	10-13/16	DOWN 9/16
6 MONTHS	11-3/16	10-13/16	DOWN 3/8

7. EURO- DOLLAR RATES FELL TO 8 PER CENT AT ALL
MATURITIES ON TUESDAY AND WEDNESDAY BUT ROSE ON
THURSDAY.

	3/8	3/15	CHANGE
1 MONTH	9-5/8	8-5/16	DOWN 1-5/16
3 MONTHS	8-3/4	8-3/16	DOWN 9/16
6 MONTHS	8-3/8	8-3/16	DOWN 3/16

8. GOLD CLOSED AT \$82.75 ON THURSDAY, DOWN \$1.00 FROM
LAST THURSDAY'S CLOSE.

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*** Current Classification *** UNCLASSIFIED

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Disposition Approved on Date:
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Disposition Comment:
Disposition Date: 01 JAN 1960
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US Department of State
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30 JUN 2005

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TAGS: ECON, UK
To: BERN
BONN
BRUSSELS
COPENHAGEN
DUBLIN
EB
EC BRUSSELS

LUXEMBOURG
SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005